WEEKLY ECONOMIC REVIEW

October 26, 2007

Premier Stelmach released his response to the Royalty Review Panel's recommendations this week. The "New Royalty Framework" projects royalty revenues will increase by $1.4 billion in 2010. Changes to the royalty regime are to take effect in January 2009.

Albertans' average weekly earnings fell 0.3% in August to $834.45, with slight declines across most industries. Compared to August 2006, weekly earnings are up 4.1%. Overall, Canadian wages inched up 0.1% in August, led by growth in manufacturing (+3.6%) and health care services (+3.4%).

Alberta's retail sales fell 0.4% in August, representing the second consecutive monthly decline. Still, compared to August 2006, sales in the province have grown 7.0%. Canadian retail sales increased by 0.7%, led by new vehicle sales, which were up 3.0%. Healthy consumer spending was supported by a vibrant labour market and relatively low gasoline prices.

Statistics Canada's quarterly Business Conditions Survey of Manufacturers found most components of the survey deteriorating in the 4th quarter. Labour shortages and concerns about the rising dollar contributed to the dampened outlook of manufacturers.

Cdn Dollar (US¢/C$)

October 26, 2007	104.0
October 19, 2007	103.8
2007-08 YTD	94.6

WTI Oil US$/bbl

October 25, 2007	$ 90.46
October 18, 2007	$ 89.47
2007-08 YTD	$ 71.94

Nymex Natural Gas C$/MMBtu*

November Contract

October 26, 2007	$ 6.93
October 19, 2007	$ 7.05

*Estimate based on Nymex Futures Market Price

The sub-prime mortgage problem continued to hamper the U.S. housing market in September. Existing home sales were down 8%, a larger decrease than many predicted. Surprisingly, new home sales were up 4.8% compared to August, but were down 23.3% from September 2006.

August also saw foreign investors reducing their exposure to U.S. securities, many of which were mortgage backed issues, with a net outflow of investment worth $69.3 billion. This contrasts with consistently positive net inflows in recent years, including $19.5 billion in July.

The Canadian dollar's rise continued this week on the strength of commodity prices, especially oil which broke the $90 mark, and weak U.S. housing market data. The Canadian dollar currently sits at 104US¢.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month(Y/Y)	Year-to-date[1]
Average Weekly Earnings ($)	**August**			
Alberta	834.45	-0.3%	4.1%	4.5%
Canada	772.59	0.1%	3.1%	3.1%
Retail Sales ($ Millions)	**August**			
Alberta	5,173	-0.4%	7.0%	10.3%
Canada	34,547	0.7%	4.3%	5.8%
U.S. Housing Sales (Annual rate, Thousands)	**September**			
New Homes	770	4.8%	-23.3%	-23.4%
Existing Homes	5040	-8.0%	-19.1%	--

Source: Statistics Canada, U.S. Census Bureau, National association of realtors [1]Year-to-date 2007 compared to the same period in 2006